



Assembly Committee on Insurance

**Public Hearing on Assembly Substitute Amendment to Assembly Bill 445
September 11, 2007**

Dear Members of the Insurance Committee:

Thank you for the opportunity to testify today on the Assembly Substitute Amendment to Assembly Bill 445 which makes a number of important changes to the Health Insurance Risk-Sharing Plan (HIRSP). As you know, administration of HIRSP, Wisconsin's high-risk insurance pool, was transferred to the newly created HIRSP Authority in July of 2006.

In creating the HIRSP Authority under 2005 Wisconsin Act 74, the legislature directed the HIRSP Board of Directors to establish plan designs that "the Authority determines generally reflect and are commensurate with comprehensive health insurance coverage offered in the private individual market in the state" and that are "responsive to market conditions."

Since that time, the HIRSP Board of Directors and staff have been busy working to achieve the legislative goal of improving the administration of HIRSP through the Authority. I am pleased to report today that significant progress has been made in this regard over the last year.

One of the Authority's first accomplishments was completing a comprehensive evaluation of the mental health/AODA benefit under HIRSP to determine whether the existing benefit design supported evidenced-based treatment for mental health and substance abuse. The evaluation illustrated a benefit design that favored inpatient hospital treatment which is not consistent with evidence-based practices of community treatment and is not always cost effective. As a result, the Board is considering a re-design of these benefits this fall.

Prescription drug spending accounts for over one-third of all HIRSP costs. This aspect of HIRSP, therefore, deserves careful consideration and management. The Board has approved a number of changes to HIRSP that will improve the plan's ability to manage its prescription drug costs more effectively and to improve the quality of care delivered to policyholders. HIRSP is also in the process of expanding its disease and care management activities to further improve care delivery.

The Authority also analyzed the current plan design of HIRSP and found it lacking in a number of important ways. First, even HIRSP's higher deductible (\$2,500) plan option was still unaffordable for many eligible individuals. Considering this and the fact that the majority of HIRSP policyholders don't meet their deductible in a given year, higher deductible plan options were explored. The Board also recognized that HIRSP was out of step with market trends by not having a health savings account qualified plan available for individuals interested in taking advantage of federal tax incentives. Consequently, the Board decided to make two new plan

options available as of January 1, 2008 – a \$5,000 traditional high-deductible plan and a \$3,500 health savings account high-deductible plan. These new plans are expected to provide financial relief to current policyholders and to make HIRSP a more affordable option for some of Wisconsin's uninsured.

The above mentioned changes are in addition to many other administrative enhancements that have been implemented to improve the efficiency and effectiveness of HIRSP operations, including a new rate setting methodology that no longer holds HIRSP hostage to annual increases in billed charges for professional and inpatient hospital services.

As it continues its efforts to achieve the vision established by the legislature in creating the HIRSP Authority, the Board has identified a number of statutory changes that would allow HIRSP to be administered more efficiently and equitably. Each item contained in Senate Bill 226 was carefully reviewed by at least one standing committee of the Board of Directors and was recommended unanimously by the full Board. A brief summary of the items contained in the bill is provided below:

A. HIRSP Plan Design

1. **Pharmacy Network:** Allow HIRSP to establish a pharmacy network that could include pharmacies that are not Wisconsin Medicaid certified. This change would allow HIRSP to broaden its pharmacy network and increase access for policyholders.
2. **Low-Income Subsidy Plan Options:** Allow individuals eligible for the low-income subsidy program to apply the premium and deductible subsidy to any plan offered by HIRSP. This change affords low-income policyholders the same choice of plan options (e.g. high versus low deductible) available to all other policyholders.
3. **Low-Income Subsidy Discounts:** Establish discounts for individuals eligible for low-income subsidy, rather than establishing subsidized premiums in comparison to the standard market rate for an insurance policy comparable to HIRSP. This change will significantly simplify the administration of the subsidy program and will make it more understandable to policyholders.
4. **Definition of Group Coverage:** Allow the HIRSP Authority Board of Directors with the approval of the Commissioner of Insurance to define exceptions to the definition of employer-offered coverage for the purposes of determining HIRSP eligibility. This change will allow the Board to respond to changes in the commercial insurance market, including the offering of new, limited benefit insurance products (e.g. policies with \$2,000 maximum annual benefits).

B. HIRSP Authority Administrative Issues

1. **Investment Policy:** Allow the HIRSP Authority to invest the plan's assets with the State of Wisconsin Investment Board (SWIB) at the direction of the HIRSP Authority Board

of Directors. This provision will provide the Board with an improved ability to effectively manage HIRSP's assets.

2. **WRS Participation:** Allow HIRSP Authority staff to participate in the Wisconsin Retirement System (WRS). This change treats the HIRSP Authority like other similar state authorities and will allow for the most cost-effective provision of health insurance and other benefits to Authority staff.
3. **OCI Appropriations:** Allow the HIRSP Authority to receive HIRSP insurer assessments and federal high-risk federal grant funds directly. Under current law, the monies go to the Office of the Commissioner (OCI) of Insurance and then to HIRSP. This provision will remove administrative redundancies between OCI and HIRSP.
4. **Medicaid Payment Rates:** Remove the requirement that HIRSP provider payment rates be calculated as Medicaid enhanced rates. Maintain statutory requirement that provider payment rates be adjusted such that providers fund 20% of the plan costs. The requirement that HIRSP rates be calculated as Medicaid rates is a holdover from the Department of Health and Family Services (DHFS) administration of HIRSP and is no longer necessary under the Authority model.
5. **HCTC Plan:** Repeal the statutory requirement for HIRSP to implement and operate an HCTC plan. This change recognizes the Board's determination that there would not be sufficient enrollment in an HCTC plan to operate a financially solvent plan. The Board has worked collaboratively with the Department of Administration, DHFS and the legislature to develop an alternative mechanism for establishing an HCTC plan through the proposed BadgerCare Plus program. This alternative is included in Senate Bill 40.
6. **Temporary HIRSP Provider Certification:** Authorize HIRSP to temporarily certify health care providers who are outside the state of Wisconsin and are not Medicaid certified. The Authority inherited a practice from DHFS for certifying out-of-state providers who treat HIRSP policyholders in emergency medical situations that was out of compliance with the statutes. This change would authorize HIRSP to temporarily certify providers for these types of situations.

Thank you in advance for your support of the changes sought by the HIRSP Authority Board of Directors.

Amie Goldman, CEO
On behalf of the HIRSP Authority Board of Directors